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C O N F I D E N T I A L SECTION 01 OF 08 STATE 120288

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TAGS: [PREL](#) [IR](#)

SUBJECT: U.S. POSTURE ON IRAN'S NUCLEAR PROGRAM AND NEXT STEPS

Classified by NEA Assistant Secretary Jeffrey D. Feltman for reasons 1.4 (b) and (d).

¶1. (U) This is an action request. Please see paragraphs 3-5.

SUMMARY

¶2. (C) Iran's continued reluctance to cooperate with international efforts to build confidence and transparency in its nuclear program will be of increasing concern to U.S. diplomacy in the weeks ahead. Of particular note is Iran's apparent refusal to date to agree to an IAEA proposal for Iran to exchange a significant portion of its stockpiled low-enriched uranium (LEU) for fuel for the Tehran Research Reactor (TRR), and the IAEA report of November 16 indicating serious unresolved questions about Iran's nuclear intentions. Department requests posts to draw on the attached narrative in explaining and securing support for recent U.S. and P5+1 efforts to engage Iran on its nuclear program, particularly in the lead-up to the IAEA Board of Governors meeting on November 26. End Summary.

OBJECTIVES

¶3. (C) FOR ALL POSTS (except Moscow, Paris, Beijing, London and Berlin): Please draw on narrative beginning in paragraph 7, and hard questions and answers in paragraph 12 to brief host governments on:

-- Persistent U.S. efforts to engage Iran throughout 2009;

-- Iran's disappointing follow-up to its commitments with P5+1 in Geneva on October 1;

-- Details of the TRR proposal and the flexibility the U.S., Russia, France and the IAEA, have demonstrated to deal with Iranian concerns; and

-- Key findings and implications of the IAEA Director General's November 16 report on Iran; and

Posts should also begin laying the foundation for possible future action in response to Iran's non-cooperation, including at the IAEA (BoG) meeting on 26 November and prudent preparation in the event of a decision to pursue increased pressure on Iran.

¶4. (C) SPECIAL REQUEST FOR MOSCOW, PARIS, BEIJING, LONDON, AND BERLIN: Please inform host government that we are delivering this message to IAEA members, consistent with consultations among Political Directors in the P5+1 process. Posts may share the general tenor of our message but do not need to deploy the points themselves with host governments.

¶5. (C) Posts should not leave any part of this message in writing with host governments.

DEADLINE

¶6. (U) Posts should report the results of their efforts by November 25. Elisa Catalano (NEA/FO, 202-647-9533, CatalanoE@state.sgov.gov) and Richard Nephew (ISN/RA, 202-647-7680, NephewRM@state.sgov.gov) are the Department's POCs for this activity.

BACKGROUND

¶7. (SBU) Since the 1 October 2009 meeting of the P5+1 Political Directors and representatives from Iran, the United States has been working closely with its partners to fulfill the commitments reached in Geneva and engage with Iran to build international confidence in the peaceful nature of its nuclear program. In particular, we have focused on supporting the IAEA's proposal for refueling the Tehran Research Reactor (TRR), facilitating the IAEA's inspection of the previously clandestine uranium enrichment plant at Qom, and pressing for a follow-on meeting between P5+1 Political Directors and Iranian representatives explicitly on

STATE 00120288 002 OF 008

Iran's nuclear program.

¶8. (C) The results since October 1 have been disappointing. It increasingly appears that Iran will decline the IAEA's proposal on TRR, though a definitive answer remains outstanding. In the lead-up to the IAEA Board of Governors (BOG) meeting on November 26, Iran may try to blame the apparent failure of the TRR agreement on intrusive and inflexible demands by western powers, rather than its own reluctance or inability to reach agreement on the IAEA proposal which responded to Iran's request for assistance and was created on the basis of Iran's own commitments made in Geneva. Although Iran granted IAEA access to Qom, Iran did not cooperate with all of the IAEA's requests for access to information and personnel and there remain serious questions about Iran's intentions for the facility. Finally, Iran so far has refused a further meeting with the P5+1 to discuss its nuclear program. The United States is now discussing with its P5+1 and other partners potential next steps, including how to handle these issues at the next meeting of the IAEA BOG.

¶9. (SBU) IAEA Director General (DG) ElBaradei released his latest report on Iran on November 16. The report makes clear Iran's continuing lack of transparency and cooperation with the IAEA on its nuclear program, including in assessing a possible military dimension to its program. As expected, the uranium enrichment facility at Qom (also known as the Fordow site) was a central element of the report, and the IAEA states that Iran's previous failure to declare the facility is "inconsistent" with its obligations under its Safeguards Agreement. The IAEA's report highlights that revelation of the Qom facility raises concerns of additional clandestine nuclear sites in Iran and has asked Iran to confirm that there are no other undeclared nuclear facilities; Iran has yet to respond to this IAEA request. Iran continues to defy UNSC resolutions and IAEA BOG resolutions calling on it to adopt the Additional Protocol and to provide the access necessary for the IAEA to provide assurance as to the absence of additional undeclared nuclear activities.

¶10. (C) The P5+1 "dual track" policy towards Iran includes both engagement and pressure if Iran does not engage constructively. President Obama, Secretary

Clinton, and others have identified the end of the year as a key period for assessing Iran's responsiveness. If Iran continues to refuse to take meaningful steps to meet its international obligations, the international community must be prepared to take strong collective action on the pressure track.

KEY DIPLOMATIC MESSAGES AND POLICY NARRATIVE

¶11. (U) Posts should draw on the following key messages and policy narrative in briefing host governments.

Key Messages

-- We, in coordination with our international partners, have demonstrated our willingness to engage constructively and respectfully with Iran to address long-standing international concerns over its nuclear program. Our approach has clearly and consistently been based on the P5+1's dual track strategy.

-- Iran so far has failed to accept a very good and balanced IAEA proposal to facilitate the refueling of the Tehran Research Reactor (TRR) which would have fulfilled an Iranian request, addressed a humanitarian need of the Iranian people, and served as a confidence-building step to create an opportunity for further progress.

-- We look forward to close consultations on how best to persuade Iran to engage constructively as we approach the IAEA's Board of Governors meeting on November 26 and beyond.

Policy Narrative

-- Since President Obama took office, he has made clear the willingness of the United States to engage with Iran and to seek a new relationship based on mutual respect.

-- He has authorized the United States' full participation in diplomatic discussions between the five permanent members of the Security Council and Germany

STATE 00120288 003 OF 008

and Iran without pre-conditions.

-- The United States has stated its support for Iran's full right to a civilian nuclear program within IAEA guidelines, provided Iran meets its international obligations and carries out its responsibilities within the NPT framework.

-- As a way to build confidence, the United States, with Russia and France, has also supported the IAEA's proposal to positively respond to Iran's request for nuclear fuel for the Tehran Research Reactor (TRR), in spite of Iran's continuing violation of UNSC resolutions and noncompliance with IAEA requirements on its nuclear program.

-- However, almost one year into the Obama administration, Iran has not taken practical, concrete steps that would begin to create confidence in its nuclear intentions. Iran:

- o Continues to enrich uranium despite UNSC requirements that it suspend such operations;
- o Revealed it had been building a secret uranium enrichment facility at a military base near Qom, in violation of its safeguards agreement ;
- o Continues to refuse cooperation with the IAEA in addressing the full range of IAEA questions about

the peaceful purposes of its nuclear program;
o Has not accepted the IAEA proposal to refuel the TRR; and
o Since meeting with representatives of the five permanent members of the Security Council and Germany in Geneva on October 1, has refused all subsequent efforts to schedule another meeting to discuss its nuclear program.

-- Iran's failure to take advantage of these numerous opportunities raises serious questions about the intentions of its nuclear program that deserve urgent international attention. We look to work closely with your government in the run-up to IAEA Board of Governors meeting on November 26 and beyond to develop an appropriate international response.

Tehran Research Reactor -----

-- The IAEA, Russia, France and the United States cooperated closely and flexibly to find a way to positively respond to Iran's request for fuel for the Tehran Research Reactor (TRR) so that it could keep running to meet humanitarian medical needs beyond 2010.

-- The TRR refueling proposal offers Iran the opportunity to convert its stockpile of low enriched uranium (LEU) into higher-enriched fuel with the help of Russia and France. The proposal's elements are simple:

- o Iran would transfer a portion of its LEU necessary for fuel production in one batch to IAEA custody outside of Iran before the end of the year;
- o Russia would further enrich the LEU to meet fuel requirements; and
- o France would fabricate the fuel assemblies and return them to Iran before Iran's fuel supplies are depleted before the end of the year.

-- In addition the United States expressed a commitment to work with the IAEA to improve safety and control features at the TRR.

-- The U.S., France and Russia took great risks in supporting the deal, especially in light of Iran's continuing violation of successive UNSC resolutions and IAEA requirements, including its secret construction of a uranium enrichment facility near Qom, and its continuing enrichment operations.

-- We did so because the arrangement would begin to build confidence and would give Iran and the international community more time to reach a comprehensive negotiated solution to Iran's nuclear program, while fulfilling Iran's humanitarian needs.

-- When Iran expressed concern about the reliability of the proposal, the United States and its partners expressed to the IAEA a willingness to address Iran's concerns, including through:

- o a U.S. offer to formally join the deal as a signatory;

STATE 00120288 004 OF 008

- o a readiness of the five permanent members of the Security Council and Germany to guarantee the deal through a political statement of support;
- o a willingness to help secure finance for the movement of the LEU and fuel;
- o an openness to move the LEU to any number of locations outside of Iran; and
- o a willingness to support the IAEA's holding material equivalent to the fuel in escrow in a

third country as a guarantee for Iran of the fuel's ultimate delivery.

-- After reaching an agreement in principle in the deal following talks with the E3+3 in Geneva on October 1, and following further technical discussions at the IAEA October 19-21, Iran has so far failed to accept the deal.

-- This raises a question about Iran's intentions. If Iran is enriching uranium to meet its civilian reactor fuel needs, why would it not accept an international offer (with significant guarantees) to provide its LEU for fuel to power the TRR to meet its humanitarian needs, particularly when it does not have the capability to produce the fuel on its own?

-- This question is troubling in the context of Iran's continued enrichment activities in defiance of UNSC resolutions; its secret construction of an enrichment facility on a military base near Qom; its refusal to cooperate with the IAEA in answering questions about the peaceful nature of its nuclear program; and its refusal to meet with the five permanent members of the Security Council.

P5+1

-- Together with our P5+1 partners, the United States informed Iranian representatives in Geneva on October 1 of our willingness to discuss any items of concern to Iran - both bilaterally and multilaterally - in addition to our concerns about Iran's nuclear program.

-- On October 1, Iran's representatives committed to meet again before the end of the month based on an agenda that included Iran's nuclear program. Since that time, however, the Iranian government has refused all invitations to meet if its nuclear program would be on the agenda.

-- Iran's continued refusal to engage on its nuclear program with the P5+1 deepens our concerns about Iran's intentions for its nuclear program.

The IAEA Director General's Report on Iran

-- The IAEA report makes clear that Iran has failed to cooperate fully and transparently with the IAEA. Key aspects of the report include:

----- Iran's new centrifuge facility at Qom - built in violation of Iran's UNSC obligations and not declared to the IAEA as required - has been inspected, but its purpose and origin remain unknown. And, Iran has not yet cooperated with all of the IAEA's requests for access to information and personnel. Iran's failure to provide the IAEA with early design information regarding the Qom facility has been deemed "inconsistent with its obligations under the Subsidiary Arrangements to its Safeguards Agreement" by the IAEA. Furthermore, the relatively small size of the facility at Qom is inconsistent with Iran's assertion that it is to provide fuel for Iran's civilian reactors, raising questions about the planned use of the Qom facility.

----- The Agency noted that Iran's failure to declare the Qom facility also "reduces the level of confidence in the absence of other nuclear facilities under construction and gives rise to questions about whether there were any other nuclear facilities in Iran that had not been declared to the Agency."

----- These concerns have been compounded by the continued pace of Iranian enrichment and steadfast refusal to abide by the UNSC's legal requirement that

Iran suspend all such work. Instead, Iran continues to produce low enriched uranium and estimated its stockpile at 1763 kilograms at the end of October. Notwithstanding a reduction in the number of enriching centrifuges by approximately 600 since August 2009, this is roughly a similar rate of production as Iran has

STATE 00120288 005 OF 008

achieved for the past year.

---- Iran continues to install and test additional centrifuges, with more than 1,000 new centrifuges added since August 2009.

---- The IAEA has discovered a previously unknown cache of heavy water in storage at Esfahan, and has requested Iran to explain its origin. It is important to note that UN Security Council resolutions include a ban on supplying Iran with heavy water.

---- It also asked Iran to provide further information describing an analytical laboratory that Iran says it plans to install underground at Esfahan.

---- There has been no progress made in addressing issues associated with Iran's efforts to develop a nuclear warhead, despite a year having passed since the last such conversation and many open questions that surround this work.

-- If Iran wishes to begin to resolve international concerns, it should comply with its international obligations, cooperate fully with the IAEA, grant the access requested (such as to individuals and workshops associated with past weaponization efforts, and to individuals responsible for managing Qom), and answer the questions it has been asked. Iran has created this confidence deficit and it is up to Iran to restore the international community's trust.

Next Steps

-- The United States and its partners believe that the troubling questions surrounding Iran's nuclear program deserve the full and urgent attention of the international community.

-- We look forward to working with your government to promote the active involvement of the IAEA and the international community in addressing these unresolved questions.

-- We will be in touch with you in the days ahead to share ideas on how to approach the issue at the IAEA Board of Governors meeting that will begin on November 126.

-- Beyond the Board of Governors meeting, we would also like to intensify our consultations on next appropriate steps in the international community based on the dual track policy (engagement and pressure) to persuade Iran to bring its nuclear program into full compliance with its international obligations.

HARD QUESTIONS AND ANSWERS

12. (U) We have also compiled the following questions and answers to draw from should Posts require them:

On The TRR Proposal

-- Why must Iran surrender all of its LEU in one batch, and why must it be before the end of the year?

o The TRR proposal was developed both to supply Iran with the fuel required for the continued operation of the reactor, and also as a measure to build confidence in Iran's peaceful intentions and its seriousness to negotiate with the E3+3.

o By agreeing to the transfer of 1200 kilograms of LEU (enough to equal the last fuel supply agreement Iran signed for the reactor with Argentina in the early 1990s), we aimed to lessen international concerns that Iran was attempting to create a stockpile of uranium to contribute to an eventual breakout from the NPT. This would consequently allow more time for negotiations with the E3+3 on the broader nuclear file.

o The transfer by the end of the year is needed to ensure that Iran receives the fuel required for the reactor before December 2010, when the reactor will run out and be forced to shut down.

-- What risk does the LEU stored in Iran pose to the international community? Isn't it under full IAEA monitoring?

o Yes, this LEU is currently under IAEA safeguards.

STATE 00120288 006 OF 008

o However, given Iran's long history of IAEA safeguards violations and NPT noncompliance, the international community cannot trust that Iran will not interfere with IAEA monitoring or withdraw from IAEA safeguards or the NPT altogether.

o This project will remove an immediate source of concern and establish some confidence in Iran's peaceful intent and willingness to comply with its obligations.

-- How can Iran be sure it will ever receive the fuel assemblies for the TRR in the current international environment, in which many openly seek to diminish Iran's nuclear capacity?

o We and our E3+3 partners have each made political commitments at the highest levels to the fulfillment of this project. Should Iran agree to it, Iran will receive the fuel required.

o All participants in this project are taking risks. Iran stands in violation of the NPT, its IAEA safeguards agreement, and three Chapter VII UNSC resolutions. This project offers Iran an opportunity to establish confidence in its peaceful intentions, a confidence that has eroded due to Iran's continued non-compliance.

-- Can Iran simply purchase the fuel from an international supplier, as some have advocated in Iran?

o The UN Security Council resolutions do permit Iran to purchase low-enriched fuel from an international supplier if it wishes.

o However, we are confident Iran would not find a willing supplier given the concerns surrounding its nuclear program and its continued defiance of the international community.

o Outside of the context of the IAEA proposal before Iran, we would oppose such a deal.

-- How would the E3+3 respond if Iran announced it had "no choice" but to make its own fuel for the TRR?

o Under three UN Security Council resolutions, Iran is required to suspend all uranium enrichment-related activities. We have offered Iran a way to secure the necessary TRR fuel without further violating these obligations. Enrichment activities to produce its own fuel for the TRR would be a violation of current UNSCRs.

o Further, Iran is not currently able to produce the fuel. Reconfiguration of Iranian centrifuges to produce the required enrichment level (19.75%) would cause serious international concern and could permit Iran to produce a stockpile of even greater enriched uranium than it has currently (Iran's current enrichment level is 3.5%). This would increase the risk of a near-term Iranian breakout from the NPT and sprint to producing nuclear weapons.

On Demands to Suspend Enrichment

-- Iran suspended enrichment once before in response to international demands, and received no benefit. Why should Iran trust the international community now?

o Iran's suspension of uranium enrichment and other activities in the past was intended to support a diplomatic process. Unfortunately, Iran terminated that diplomatic process in August 2005 by abandoning suspension.

o However, prior to that point, Iran's temporary suspension avoided its being reported to the UN Security Council and the sanctions that would have likely come along with that report.

o The requirement of suspension imposed by the UNSC in resolution 1737 is intended to restore that diplomatic process and to lead to a final resolution of international concerns with Iran's nuclear program.

o This was codified in UNSCR 1737 when the UNSC stated its intention to suspend implementation of the measures adopted by the UNSC if Iran returned to negotiations through suspension of its nuclear and related activities.

o Trust is in short supply on both sides. It is for that reason that we have offered Iran several opportunities for reciprocal, confidence-building steps (e.g., "freeze for freeze" and the TRR proposal).

-- What about recent reports indicating the Iranian

STATE 00120288 007 OF 008

enrichment program has not grown. What is the significance of this stagnation?

o Iran has slowed or scaled back the enrichment program several times since the project became public in 2002.

o There are many possible explanations for the stagnation of the Iranian enrichment program, including technical issues with the centrifuges and general system maintenance.

o Regardless of Iran's lack of progress in its enrichment program, it continues to enrich and stockpile LEU. This activity in violation of three United Nations Security Council resolutions calling for full suspension of its nuclear and enrichment related activities, and increases the risk of a near-term Iranian breakout from the NPT and sprint to producing nuclear weapons.

Israel's Nuclear Program

-- Why is there not equal attention to Israel's nuclear status? Does it not also destabilize the region?

o The United States has long supported universal adherence to the NPT treaty and continues to believe that all states that have not done so should join the Treaty and accept the full-scope IAEA safeguards on all of their nuclear activities.

o It is extremely difficult, however, to make this case to a non-NPT state when its neighbors are in violation of their own NPT obligations, and when the international community has not demonstrated the political will necessary to enforce compliance.

o Iran's failure to comply with its NPT and IAEA obligations bears out these concerns and undermines attempts to secure universal adherence to the NPT. It became a party to the treaty and proceeded to violate its obligations under it for over twenty years, presenting a fundamental threat to the entire nonproliferation regime.

o Returning regional states to full compliance with their NPT obligations would be an important step toward NPT adherence by all states in the region. An Iranian nuclear weapons capability also serves as a destabilizing factor in the region, possibly triggering proliferation across the Gulf in response to a mounting threat posed by Iran. Not only does this undermine the entire nuclear nonproliferation regime, but risks further instability in the region.

Qom Facility

-- How can you say that the Qom facility was secret, when it was Iran that announced its existence and invited IAEA inspectors to visit?

o Iran was required to declare the existence of this facility to the IAEA the moment the decision was made to construct it, not several years into its construction. This is a requirement of Iran's IAEA Safeguards Agreement (contained in Code 3.1 of the Subsidiary Arrangement to Iran's Safeguards Agreement).

o This code was modified after revelations surrounding Iraq's nuclear program were made in the early 1990s.

o Iran was the last state to agree to the revised code, but it did so in March 2003. Iran attempted to revert to the early form of the code (which requires notification only 180 days prior to the introduction of nuclear to the facility) in March 2007. The IAEA consistently has rejected that Iran has the legal ability to make such a change.

o We also believe that Iran made the decision to declare the facility not to conform to its legal obligations, but because it had become aware that the secrecy of the facility had been compromised.

-- Iran claims it needs such a hardened facility as Fordu because for years both the US and Israel have threatened to bomb its nuclear sites. Is it not surprising Iran would try to keep its location a secret to have an emergency back-up facility?

O Iran's own failure to meet its obligations for transparency and IAEA monitoring of sensitive nuclear installations is the cause for the

STATE 00120288 008 OF 008

international community's concerns that surrounding its nuclear program.

o Iran's decision to construct yet another clandestine site only deepens these concerns.

P5+1

-- Why should Iran discuss its nuclear program with the self-appointed P5+1? Isn't the IAEA the proper place for Iran to engage on its nuclear program with the

international community?

O We welcome Iran's engagement with the IAEA. But despite its rhetoric, Iran has not engaged with the IAEA. Iran has refused for several years to answer the IAEA's questions (even before the IAEA reported Iran to the UNSC for its myriad violations of its international obligations).

o The E3+3 mechanism evolved as a means to negotiate a solution precisely because Iran was refusing to engage with the IAEA on the concerns regarding Iran's nuclear program.

CLINTON